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Chairman: Ms. Wensley ..... (Australia)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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The meeting was called to order at 10.10 a.m.

Agenda item 122: Improving the financial situation of the United Nations

1. **Mr. Connor** (Under-Secretary-General for Management), reporting on the current financial situation of the United Nations with the aid of charts, said that the business of the Organization was to serve Member States and humanity. Those service demands had changed over the previous few years, a situation reflected in the changing assessment levels. The aggregate assessment level had totalled over $4 billion in 1995, declined to just above $2 billion in 1998, was currently rising to $2.4 billion in 1999 and was projected to rise still further to $2.8 billion in 2000-2001.

2. Regular budget assessment levels since 1995 had been flat, trending downwards in more recent years under the cumulative effect of measures to create simplified structures and a leaner and more efficient Secretariat. Real costs had been reduced sufficiently to absorb inflation and special mission costs and to produce a regular budget total which was currently lower than it had been in 1994. Peacekeeping assessment levels had plummeted from their peak in 1995, hitting a low of $907 million in 1998, while Tribunal assessment levels had increased significantly. Overall, the Organization's resource requirements would turn a corner by the end of 1999. The assessment reductions that had characterized the period from 1995 through 1998 would be replaced by the increased resource levels needed for the years 1999, 2000 and beyond.

3. With regard to the three key indicators in assessing the Organization's financial situation, namely, unpaid assessments, available cash and amounts due to Member States, at 30 September 1999 the aggregate of unpaid assessments had been $2,510 million — significantly more than two years earlier.

4. The prompt collection of assessments was the bedrock of the Organization's financial stability, since no other funds were available with which to maintain the United Nations or to carry out the mandates entrusted to it by Member States. Unfortunately, the Organization's record of collecting was not good. Despite the fact that the major contributor had thus far in 1999 paid contributions of $264 million, it still accounted for 65 per cent of the total amount owed at 30 September 1999. The 14 other major contributors accounted for 17 per cent, while the remaining Member States accounted for 18 per cent.

5. While the absolute amount of uncollected assessments gave cause for concern, the picture was even worse in relative terms. At 30 September 1999, uncollected assessments represented in dollar terms about 12 months of assessments.

6. With regard to regular budget assessments, as at 30 September 1999 the largest contributor had owed 81 per cent of the regular budget aggregate amount. Two other Member States included in the next 14 principal contributors had outstanding regular budget contributions amounting to 9 per cent. Those three Member States were expected to make additional regular budget payments by 31 December 1999. Of the remaining 170 Member States, 78 owed 10 per cent of the uncollected regular budget total.

7. On the positive side, as at 30 September 1999 a total of 104 Member States had paid their regular budget contributions in full for 1999 and all prior years. The final number was expected to rise to above 117 Member States by the end of 1999.

8. For their part, uncollected peacekeeping assessments had risen steadily since 1990, despite the significant decrease since 1995 in the level of peacekeeping activity. Total outstanding peacekeeping amounts at the end of September 1999 had amounted to $1.831 million, 60 per cent of which was owed by the United States, 11 per cent by Ukraine and 6 per cent by the Russian Federation. It should be noted in that regard, that over the previous five years the Russian Federation had reduced the level of its peacekeeping arrears by 80 per cent.

9. The level of unpaid Tribunal assessments had increased by 75 per cent over the previous two years, a situation that was of growing concern, since assessment levels for the Tribunals would most likely be increased when the next cycle of budgets was considered.

10. The implications of the unpaid assessment situation were that the magnitude of unpaid assessments effectively eliminated the Organization's financial base. The assessment system had been developed to produce cash resources at the beginning of the period when mandated activities were to be carried out using those resources. In practice, however, only a partial resource base had been provided and, with the loss of financial flexibility, the Organization's very existence was endangered. A globally important Organization was being run without the predictable, assured financial support of its members and that was a sobering thought.

11. Concerning the available cash situation, the Organization had ended 1998 with a cash deficit of $40

million for the regular budget. While significant, that deficit marked an improvement over the even larger cash deficits which had been recorded at the end of 1997 and 1996. Among the factors responsible for that improvement had been a significant payment by the major contributor in late November 1998. By the end of January 1999, cash inflows from the timely payment of 1999 regular budget assessments had permitted the repayment of amounts borrowed from peacekeeping funds and had eliminated the regular budget cash deficit. By July, however, the Organization had once again been obliged to borrow from the peacekeeping accounts. Based on discussions with several Member States on the level and timing of the payments which they expected to make for the regular budget during the period from October to December 1999, the Organization was likely to have a negative regular budget cash balance of $60 million at the end of October and of $162 million at the end of November. For the month of December, two different year-end scenarios had been projected. Scenario 1 projected an end-of-year payment of $197 million by the United States, while scenario 2 assumed that the United States would pay sufficient regular budget and peacekeeping assessments, in addition to funds which it had previously appropriated but not yet paid, to reduce its total obligations to the equivalent of the most recent two-year assessments, or approximately $350 million. Under scenario 1, the regular budget cash deficit would be relatively small, approximately $48 million, while under scenario 2, there would be a positive cash balance of $2 million. The consequence of a payment of the size envisaged under scenario 2 was significant. For the first time since 1993 there would be no need to cross-borrow peacekeeping funds at the end of the year to offset the regular budget cash deficit.

12. With regard to the peacekeeping cash situation in 1999, cash balances and the level of cash activity were largely the result of the situation of established missions, which had constituted most of the peacekeeping activity during the year. Their respective cash balances, together with the approximately $100 million cash balance of the Peacekeeping Reserve Fund, represented almost the entire combined peacekeeping cash balance forecast for the end of the year.

13. Cash balances were foreseen to be moving in a predictable pattern, with peak levels of cash inflow following upon the semi-annual pattern for assessing peacekeeping assessments for the established missions. Peacekeeping cash was forecast to be $749 million at 31 December 1999, compared to $768 million at the beginning of the year. That meant that the impact of the new missions would be felt only marginally until much closer to the end of the year. If, however, the United States made a $100 million arrearage payment, peacekeeping cash would rise to $849 million, the highest amount in a long time.

14. Without cash, it was impossible for the Organization to act. For example, the General Assembly on 28 July had authorized an assessment of $125 million for the United Nations Interim Administration Mission in Kosovo (UNMIK) to cover the Mission's start-up costs. To date, however, only 30 Member States had paid, providing a total of $35 million. Therefore, while new missions meant higher levels of peacekeeping activity, they did not necessarily translate into higher levels of cash.

15. At the end of 1998, the combined cash balances for the regular budget, peacekeeping account and the Tribunals had been higher than in 1997 and 1996. The improved combined cash position was due to increased year-end payments in 1998 by the United States. Whether and to what extent similar payments would be made by the end of 1999 remained to be confirmed by that Member State's legislative process.

16. The implications of the combined cash position were that the Organization continued to have no cash reserves. It had limited cash on hand with which to begin new missions, limited financial flexibility and no flexibility at all if reimbursements owing to troop and equipment providers must continue to be delayed in order to provide an adequate cash base.

17. Concerning the amounts owed to Member States, without adequate cash, debt to Member States for troops and contingent-owned equipment could not be paid. By the end of 1999, the Organization would owe $729 million to those Member States that had contributed troops and equipment. The decrease from the previous few years' level of over $800 million was attributable, however, to revaluations of the debt and not pay-downs. Total reimbursement for 1999 was expected to be $157 million. Every effort had been made to pay current year incurred costs.

18. In addition to current assessment payments, the Organization had received an arrears contribution of $16 million from the Russian Federation. It had also negotiated a revaluation of equipment which had reduced debt owed to one Member State by some $127 million. Nevertheless, the Organization's debt remained high, given the competing cash demands and the current inadequate level of its cash reserves. Future liquidation of troop and equipment obligations was therefore almost entirely dependent on the collection of peacekeeping assessments arrearages.

19. The overall situation had profound implications for the Organization, since one group of Member States was financing another group, with no relief in sight, a potentially destabilizing situation.

20. **The Secretary-General** said that the Fifth Committee was central to the Organization's administrative, financial and institutional health. The Secretariat depended on the

Committee to provide the practical basis and resources that enabled the United Nations to carry out its vital work around the world. When there were concerns about the Organization's progress and priorities and about whether it was meeting people's expectations, the Committee had a key voice in addressing those concerns and in setting the Organization on an effective course. He wished to share a number of such concerns with the Committee.

21. In January 1997, the Secretariat and Member States had together embarked upon a major programme of reorganization and revitalization aimed at transforming the United Nations and its leadership, structures and performance. From top to bottom, the aim had been nothing less than to bring the Organization greater unity of purpose, greater coherence of efforts and greater agility and flexibility in responding to an increasingly dynamic and complex world.

22. Nearly three years later, it was fair to say that good and determined progress had been made. Coordination among the Organization's far-flung entities had improved and cabinet-style management was now the norm. Budget and staff had been subjected to new and rigorous discipline. The Organization now had a Deputy Secretary-General, a Development Group and a system of Development Assistance Frameworks, which were leaving positive and lasting imprints on the United Nations. The search for excellence was an ongoing struggle, to which he remained firmly committed.

23. It was equally fair to say, however, that much more remained to be done before the Organization could pronounce itself satisfied. The transformation of the United Nations had yet to attack what he saw as an overly burdensome and overly intrusive approach to administration. It had yet to provide the necessary flexibility with which to respond to new and urgent challenges. And it had yet to put the Organization on a firm financial footing. Those concerns should be the next frontier of fundamental change in the Organization.

24. The Organization was over-administrated in the areas of finance, human resources and delivery of mandated programmes. There were too many rules and too many steps. Too many things that should be simple were needlessly complex and too many things that should happen quickly occurred with painful sluggishness. For an Organization that must respond regularly to crisis, that was a sure path to frustration, failure and irrelevance.

25. Some of that over-administration could be attributed to the Secretariat, which meant that at least some of it was within his power to fix. The Secretariat was trying its best to do so. The recruitment process, for example, still took too long but was getting shorter and simpler.

26. Some of the over-administration, however, stemmed from the plethora of resolutions and responsibilities handed down layer upon layer by Member States over the years. It was necessary for the Organization to become more results-oriented, to measure its success not by fulfilling endless administrative requirements but by responding effectively to real problems and to the needs of real people. That was why he had proposed time limits or "sunset provisions" for initiatives involving new organizational structures or major commitments of funds and that there should be a shift to results-based budgeting.

27. The focus on results was not merely a budget exercise, but one of the many tools designed to create a United Nations that could focus on the services it delivered to Member States. Greater clarity about the results and performance that were expected would also make it easier to define the respective responsibilities of Member States and the Secretariat.

28. The Secretariat respected the right of the General Assembly and the Fifth Committee to legislate. He asked only that Member States should in turn respect the Secretariat's responsibility to administer and manage the Organization. Managers must be able to manage. The Secretariat would always do everything possible to implement the mandate entrusted to it and wanted to be held accountable. But just as important, it was eager to perform at its unencumbered best.

29. Along with a surplus of rules, there was a severe deficit in "surge capacity", in other words, the financial and operational flexibility to respond promptly and effectively to new challenges. Hardly anyone would have thought that, during the previous year alone, the United Nations would undertake new operations in Kosovo and East Timor and be on the verge of new missions in Sierra Leone and the Democratic Republic of the Congo. No one knew what the year ahead held in store, but the Organization must be prepared. Ad hoc solutions would not suffice. Capacity and flexibility must be built into the way the Organization operated.

30. That was not the case currently, however, as had been demonstrated in the financing of the operation in Kosovo. An initial appropriation of $200 million had been asked for; the Assembly had authorized $125 million; to date only $35 million had been received. That had meant an unfortunately slow start in financing a high-profile, high-stakes mission. The Organization must be able to do better, especially since the early days were so critical for establishing the tone of and confidence in an operation.

31. Part of the answer lay in giving the United Nations adequate reserve provisions through the Working Capital Fund and the Peacekeeping Reserve Fund. Currently, the former was effectively depleted while the latter was under-

funded. He hoped that the General Assembly would now consider ways in which the levels and cash resources of those Funds could be raised to more fully handle the contingencies for which they had been created.

32. The answer was also linked to the question of gratis personnel. The decision to phase out such personnel had been taken for good reasons. He hoped, however, that alternative solutions would give the Organization the very useful hiring flexibility which those arrangements had provided.

33. Mention of the reserve funds led, inevitably, to the even larger question of the financing of the Organization in general. Even with streamlined structures and mechanisms, with simpler ways of carrying out its work, with an improved "surge capacity", without the necessary funding the United Nations would be forever handicapped in its ability to fulfil the mandates entrusted to it by Member States.

34. He had said in 1997 that success in strengthening the United Nations would depend to no small extent on a change in attitude on the part of Member States. Today, for all the fine words of affirmation which had been heard, and for all the new tasks which Member States had entrusted to the Organization, the bottom line had been neglected, and woefully so. At the end of December 1996, unpaid peacekeeping and regular budget assessments had stood at $2.15 billion. It had remained more or less at that level since then and was likely to be at a similar level at the end of the current year, too.

35. Although more Member States had paid their assessments, that good news was overshadowed by the fact that overall arrears — the funds owed to the Organization — were for the first time in as long as he could recall greater than one year's assessments.

36. Under those circumstances it was impossible to rationally manage the United Nations. The Organization could not meet its obligations to Member States that volunteered personnel for peacekeeping operations. Those obligations, amounting to hundreds of millions of dollars, constituted an unacceptable burden on countries, often developing nations, which had demonstrated their commitment to the United Nations by committing their personnel to difficult and dangerous operations throughout the world.

37. Quite simply, the only solution was for all Member States to honour their legal and moral obligations under the Charter and to pay their dues in full, on time and without conditions. In the meantime, he would ask the General Assembly to consider temporarily suspending the provisions of the Financial Regulations and Rules which required the return of surpluses to Member States. Though by no means the answer to the Organization's problems, such a step would help to improve its chronic cash shortage.

38. The international community continued to turn to the United Nations for its unique services. World public opinion continued to place faith in the Organization as an agent of peace and progress. Everyone wanted a United Nations that worked for peace, development, human rights and more. He believed that such a United Nations was well within their capacity. To reach those common goals, however, a better way of doing business in the Organization was needed.

39. His millennium wish was that a better way would be found past the serious obstacles along the path to a more secure and effective Organization, a more responsive Organization and a United Nations that was the best that it could be.

40. **Ms. Korpi** (Finland), speaking on behalf of the European Union, the associated countries Bulgaria, Cyprus, the Czech Republic, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia and, in addition, Iceland and Liechtenstein, said she regretted that the Organization might have to resort once again to cross-borrowing from peacekeeping funds to finance regular-budget activities and new peacekeeping missions, since cross-borrowing placed an unacceptable burden on countries that contributed troops and equipment. The recent upswing in peacekeeping activities made it even more imperative for Member States to translate their shared commitments into a willingness to fulfil all their financial obligations to the Organization.

41. The full, prompt and unconditional payment of contributions by all States Members of the United Nations was essential to the Organization's efficiency and effectiveness. The United States of America, as a permanent member of the Security Council, had a special responsibility towards the Organization; it was also the sole beneficiary of the 25-per-cent ceiling on contributions to the regular budget, with the result that its assessment level was considerably lower than its share of global gross national product (GNP). The European Union believed that capacity to pay must be the cornerstone of the scale of assessments. In 1996, it had presented a package of four strategies for putting the United Nations back on a sound financial footing: the payment of arrears; a revision of the scales of assessments for the regular budget and peacekeeping operations; a set of incentives and disincentives, including action to tighten the application of Article 19 of the Charter; and increased efficiency in the Organization's administration. She regretted that the package as a whole had never been discussed.

42. The Organization could not remain relevant to the objectives of Member States without an effective and efficient Administration. She commended the Secretary-

General's ongoing efforts to modernize the United Nations. The Secretariat should spare no effort to fulfil legislative mandates with a maximum of cost-effectiveness and common sense. Member States, for their part, must set objectives and provide overall policy guidance to the Secretariat. She trusted that the Secretary-General would manage the Organization effectively and transparently, with the full support of the Fifth Committee.

43. **Mr. Insanally** (Guyana), speaking on behalf of the Group of 77 and China, said that preserving the Organization's financial integrity was of the highest importance. Recently, the Ministers for Foreign Affairs of the States members of the Group of 77 and China had reiterated their deep concern about the Organization's precarious financial situation, as well as their view that the failure of certain Member States, particularly the major contributor, to pay their assessed contributions in full, on time and without conditions was the primary cause of those problems. While reaffirming that all Member States were legally obligated to pay their contributions and arrears in accordance with the Charter, he recognized the need to extend sympathetic understanding to developing countries that were temporarily unable to meet those obligations because of genuine economic difficulties.

44. The practice of cross-borrowing from the budget for peacekeeping operations continued to place an unfair burden on developing countries that contributed troops and equipment, since those countries were kept waiting indefinitely for reimbursement. That was a form of subsidy to the Organization which could not continue. The lack of financial liquidity for United Nations activities had clouded the atmosphere of confidence and cooperation on which the Organization's existence depended. The only practical and definitive solution to that long-standing problem was the prompt payment of assessed contributions and arrears by all Member States.

45. **Mr. Holbrooke** (United States of America) said that, in view of the Organization's dire financial situation, the Under-Secretary-General's call for action must be heeded, not least by the United States Government. Recently, in an address to the General Assembly, the President of the United States had termed the United Nations "indispensable". His Government was proud to have been the largest contributor to the United Nations in every year since its inception, including the current year.

46. He was working intensively with key members of the United States Congress to address the issue of arrears. However, those efforts were linked to meaningful reform of the United Nations to ensure not only that it had the resources it needed to carry out mandated activities, but also that those resources were optimally used. The United States gave the highest priority to two sets of issues that concerned, respectively, the budget and the scale of assessments. The Organization's budgeting process and programme evaluation should be more streamlined and sensible, and further progress should be made in implementing results-based budgeting and sunset arrangements. A budget based on discipline and sound management would improve the Organization and would bolster his delegation's position in its discussions with members of the United States Congress. The programme budget for 2000-2001 must therefore be based on zero nominal growth and must incorporate efficiency measures, management improvements and other savings to offset any budget growth.

47. The current scale of assessments had been adopted 25 years earlier, when the United Nations had had only 147 Member States. The time had come for meaningful reform to reduce the Organization's over-reliance on a single Member or handful of Members. The ceiling of the scale for the regular budget should be reduced from 25 to 22 per cent, and a ceiling of 25 per cent should be set for the scale for peacekeeping operations. A sensible, lean budget and an equitable scale of assessments were essential to the Organization's financial stability and operational effectiveness. The United States stood ready to assist in those efforts, and understood the need to pay its fair share to the United Nations. Lastly, he assured the Committee members that their comments would be conveyed to the lawmakers in his country's capital who had constitutional responsibility for addressing the issue of payments to the Organization.

48. **Mr. Shen Guofang** (China) said that the major cause of the financial difficulties that were undermining the Organization's ability to play its role effectively was the failure of some Member States to pay their assessed contributions in full and on time. Most Member States had made commendable efforts to overcome their difficulties and had managed to honour their financial obligations to the letter. However, the major contributor had long been in arrears, in open defiance of the Charter, for domestic political reasons. Domestic legislation could not be used as an excuse for non-payment. He hoped that prompt action would be taken to redress the situation; in that connection, he appreciated the efforts described by the representative of the United States.

49. Although the current scale of assessments had been blamed by some for the Organization's financial difficulties, that scale had been based on extensive negotiations among all Member States and had proved to be fair and reasonable in practice, since it basically reflected the Members' capacity to pay. Some technical aspects of the scale could be improved, but its impartiality should not be questioned, nor should ceilings be set unilaterally by or for any country.

50. The financial crisis had already resulted in delays in the implementation of some programmes and activities. The Secretariat should formulate even more stringent rules and regulations, tighten financial management, end unnecessary spending and waste and make the most of every cent it received from Member States. Lastly, he called on all Member States to find the political will to honour, in good faith, their financial obligations under the Charter.

51. **Mr. Mabilangan** (Philippines), speaking on behalf of the Association of Southeast Asian Nations (ASEAN), said that he supported the statement made by the representative of Guyana on behalf of the Group of 77 and China. He was concerned to note that the Organization's continuing financial crisis, which was due to the non-payment of assessed contributions, was undermining its ability to implement mandated programmes and activities. He had taken note of the United States delegation's commitment to reducing its Government's arrears, but did not share the view that the scale of assessments was to blame for the financial crisis. The ASEAN countries, despite their current economic difficulties, had taken their obligations under the Charter seriously and had tried to pay their contributions promptly.

52. He regretted that the Organization had been forced to borrow from peacekeeping funds to finance activities under the regular budget. That practice and the non-payment, by the major contributor, of arrears for peacekeeping operations had resulted in the late reimbursement of countries that provided troops and equipment, thereby increasing the financial burden on troop-contributing countries in the developing world. That situation must be addressed as a matter of priority. The imposition of conditions for the payment of assessed contributions was unacceptable, as it violated the letter and spirit of the Charter.

53. Although Member States should remain sensitive to the plight of countries that were experiencing genuine economic difficulties, there was no excuse for deliberately withholding payments for political reasons. The only viable way of restoring the financial health of the United Nations was through the early settlement of arrears and the timely payment of future assessments by all Member States, particularly the major contributor

54. **Mr. Haque** (Pakistan) said that his delegation associated itself with the statement made by the representative of Guyana on behalf of the Group of 77 and China. The Organization's fragile financial situation threatened its solvency, stability and work. The debilitating impact of the crisis was visible in the Organization's inability to respond to the requirements of people around the world, in the low morale of its staff, in its reduced capacity to carry out mandated programmes and activities and in the difficulties which Member States faced as a result. Even the major reform undertaken at the fifty-second session had not improved the financial situation. Financial uncertainties must be redressed before the process of reform could be completed successfully.

55. The extraordinary practice of cross-borrowing from peacekeeping funds was no longer feasible in view of the arrears in the budget for peacekeeping operations, and could jeopardize the Organization's role in maintaining international peace and security. That practice had also resulted in inordinate delays in the reimbursement of Member States that provided troops and equipment, thereby creating particular difficulties for developing countries, including Pakistan. Although Pakistan would continue to help maintain international peace and security, it regretted that its efforts and those of an overwhelming number of Member States not only to meet their financial obligations, but to do more, had not encouraged the richest Member to honour its financial obligations.

56. If the major contributors failed to pay their arrears, they stood to lose their influence and prestige in the international community. Conditions for the payment of legal financial obligations by Member States could not be accepted. Problems with internal legislative processes for the payment of assessed contributions were for Member States to resolve, not the United Nations. The acceptance of gratis personnel, the imposition of time limits on new initiatives and the introduction of results-based budgeting were only palliatives aimed at the symptoms of the Organization's financial difficulties, and would not work. Only action to address the cause of the problem — the non-payment of financial obligations — would represent a lasting solution.

57. The Secretariat, for its part, should restore the confidence of Member States by scrupulously carrying out the decisions of legislative bodies and by making frugal and efficient use of resources, with greater transparency and accountability of programme managers. Efforts should be aimed not at cost-cutting, but at making optimal use of the limited resources available. He fully supported the Secretary-General's efforts to manage the Secretariat efficiently and effectively.

58. Pakistan regretted that no substantive resolution had been adopted on the financial situation of the United Nations since the forty-eighth session. Emphasis must be placed on the Organization's crucial role in addressing the underlying causes of international political crises, including the right to self-determination for peoples under foreign occupation and alien domination, and in the economic and social fields. Providing the United Nations with financial stability and viability would enable it to function effectively, especially for the improvement of the socio-economic conditions of people in the developing countries. In 1997 and 1998, Pakistan had suggested that the Fifth Committee should

consider the critical financial situation of the Organization in all its aspects, since the High-level Open-ended Working Group on the Financial Situation of the United Nations had not been able to make recommendations to address the crisis.

59. **Mr. Powles** (New Zealand), speaking also on behalf of Canada and Australia, said that the United Nations was charged by the international community to address extraordinarily complex issues of international peace and security, as well as urgent economic, social and humanitarian problems, but lacked the adequate and predictable funding required to do so. While his delegation welcomed the Secretary-General's proposals for achieving greater efficiency, in particular the concept of results-based budgeting, it recognized that the real problem lay in the fact that some Member States did not pay their assessed contributions in full, on time and without conditions. Canada, Australia and New Zealand were not among those delinquents. Regrettably, the largest debtor to the United Nations was also its largest contributor, the United States. The mountain of arrears owed by that country must be liquidated soon. When they had ratified the Charter of the United Nations, the Member States had agreed to share the Organization's expenses as apportioned by the General Assembly. They had also approved a financial regulation requiring that they should pay their contributions within 30 days of receiving their assessments. Member States adopted by consensus the Organization's regular budgets and the scale of assessments, and there could thus be no argument for non-payment of their contributions.

60. The high level of unpaid assessments had depleted the Organization's modest financial reserves and resulted in lengthening delays in reimbursing troop contributors. As a consequence, the ability of Member States, particularly developing countries, to contribute to pressing peacekeeping needs had been severely constrained. He expressed deep concern at the apparent trend away from financing new peacekeeping operations by means of assessed contributions. While there might be an urgent need for funds at the outset of an operation, his delegation could not in principle support voluntary funding as the standard way of financing United Nations peacekeeping operations and considered it a threat to the collective responsibility that was at the heart of the Organization. In practice, there was a risk that regions that failed to attract donor support would not receive the response to which they were entitled as Members of the United Nations.

61. If a substantial portion of the outstanding contributions was paid, the level of the Organization's reserves could be restored, the Peacekeeping Reserve Fund fully capitalized, amounts owed to troop-contributing countries fully paid, and the budgetary surpluses retained from earlier financial periods returned to Member States, or, preferably, used to strengthen permanently the level of the Organization's reserves, giving the United Nations the assured funding base it required.

62. The application of Article 19 of the Charter of the United Nations must be reviewed. Currently, the provisions of that Article came into force only when Member States had fallen three years behind in their contributions, rather than the two years intended. In addition, arrears must be redefined as contributions that remained unpaid 30 days after the issue of the assessment letter and must be calculated on a more frequent basis. Other than Article 19, the United Nations had few sanctions available to it to deal with delinquent countries. His delegation therefore considered the proposal that Member States in arrears should not be eligible for elections in the General Assembly worthy of serious study.

63. **Ms. Lee** (Singapore) said that the statement by the Under-Secretary-General for Management had merely confirmed what delegations had long known. The agenda item title notwithstanding, there had been little improvement, if any, in the financial situation of the United Nations, with the result that the Organization was constrained in its activities and morale was low. The debate on the subject had grown stale and unproductive. Some Member States asserted that the financial crisis was linked to the scale of assessments, but her delegation refuted that view since the real problem was the late payment or non-payment of assessed contributions by certain countries, including the major contributor. While that State had contributed significant resources to the United Nations, as the world's remaining super-Power it had a stake in addressing international challenges and threats to its national interest. In failing to fulfil its obligations to the Organization, despite the fact that it was doing well economically, that country was doing a disservice to Member States that paid their dues promptly, including developing countries facing genuine political and economic difficulties.

64. The United Nations must, of course, be held accountable for every dollar spent. The Organization had made progress in that regard. A culture of accountability and transparency was taking root, and there was better budget discipline and utilization of resources. Peacekeeping operations had become more professional, resulting in lower assessments. Those positive developments demonstrated that the Secretary-General and his team were doing their best to meet the demands of Member States, particularly the major contributor.

65. Her delegation welcomed the continuing efforts of the United States Government to meets its financial obligations to the United Nations and the commitment by the Permanent Representative of that country to make the liquidation of United States arrears to the Organization one of his priorities. As President Clinton had said, the United States needed a strong and effective United Nations. However, the

Organization could only be as effective as the Member States allowed. It could not rely indefinitely on cross-borrowing from peacekeeping funds and must be given sufficient resources to carry out the role that Member States had defined for it. Singapore therefore urged all Member States to find the political will to pay their assessed contributions in full, on time and without conditions, before the United Nations collapsed under the weight of its financial burdens.

66. **Mr. Hasmy** (Malaysia) said that his delegation wished to associate itself with the statements made by the representative of Guyana on behalf of the Group of 77 and China and the representative of the Philippines on behalf of ASEAN. Malaysia was deeply concerned at the grave financial situation of the United Nations, which remained unchanged despite repeated calls for improvements. The main cause of the Organization's financial difficulties remained the failure by some Member States, particularly the major contributor, to pay their assessed contributions in full, on time and without conditions. His delegation did not share the view that the scale of assessments had in some way contributed to that situation.

67. Malaysia had for the most part paid its dues in full and on time despite the financial crisis affecting the country and the fact that it was owed some $20 million for the cost of troops and equipment it had contributed to various peacekeeping operations. It was therefore unacceptable that some Member States continued to neglect their Charter obligations. The amount owed by the major contributor was insignificant compared with the size of its economy and its status and influence in the Organization. It was patently unjust that developing countries should have to bear the financial burdens of the United Nations on behalf of States that had the capacity to pay their assessed contributions, but were unwilling to do so.

68. The proposal to introduce incentives and penalties with a view to achieving better collection of assessments merited serious consideration. Member States that were prompt in paying their assessed contributions, particularly developing countries, should be rewarded, *inter alia*, through procurement opportunities, while late payers should face additional penalties since the sanctions provided for under Article 19 of the Charter were insufficient. However, any new system of penalties should take into consideration Member States' ability to pay.

69. Considerable progress had been achieved through efforts to reform the United Nations: efficiency had been improved, waste reduced and the number of staff cut. Without adequate funding, however, the Secretary-General would be unable to see the reform process through and the Organization would be unable to serve Member States efficiently and effectively. Member States must therefore liquidate their arrears and pay their assessed contributions in full, on time and without conditions. He welcomed, in that connection, the commitment by the Permanent Representative of the United States, and hoped that he would succeed where others had failed.

70. **Mr. Kolby** (Norway) said that it was Member States that gave the United Nations the mandates to act and the money and means to succeed. They must assume that responsibility, rather than making the Organization a scapegoat for their own shortcomings. The capacity of the United Nations for conflict prevention, crisis management and long-term development must be enhanced. Creating common security was not cost-free. All Member States must therefore meet their financial obligations to the Organization, and it was the duty of the most powerful members to set an example to others.

71. Yet, since 1995, the Secretary-General had had to borrow extensively from peacekeeping funds in order to cope with the recurrent cash-flow crises, and it was only the good will and patience of troop-contributing countries, who were prepared to forego the timely reimbursement of large sums of money from the United Nations, that kept the Organization afloat financially. The current high level of arrears to troop contributors was simply unacceptable. Lacking adequate capital or reserves, the Organization had little, if any, financial flexibility. While the Secretariat worked wonders with the meagre and fluctuating funds at its disposal, the practice of cross-borrowing was imprudent at best, and potentially disastrous.

72. Norway, which contributed almost $100 per capita in assessed and voluntary contributions, fully supported the European Union's proposal for a comprehensive package of financial reforms, including payment of arrears, reform of the scale of assessments, financial incentives and penalties, and administrative reforms. It did not believe, however, that starving the United Nations of resources would lead to useful change. Indeed, it considered that the Organization should be strengthened, as well as made more efficient. It must be provided with sufficient resources to carry out the mandates assigned to it, and real budget growth must be allowed when necessary. The Organization should not have to resort to trust funds and other such budgetary arrangements to fund priority activities. At the same time, any proposals by the Secretary-General for new and innovative ways of improving the financial situation must be given consideration. Norway stood ready to work towards a United Nations that was stronger both politically and financially.

73. **Sir Jeremy Greenstock** (United Kingdom) said that the United Kingdom was the Organization's largest net creditor. While the United States was the major contributor, its persistent and, it seemed, perennial, indebtedness had stained its reputation. Although he welcomed the

commitment by the Permanent Representative of the United States to address that situation, time was running out.

74. The presence of a large number of Permanent Representatives reflected the anxiety of Member States at the dire financial situation of the United Nations and their awareness of the strategic importance of the Fifth Committee at a time when the international community was placing increasing demands on the United Nations. In the past, the Committee had not perhaps received the attention it merited, but it was in the interests of all Member States to ensure through their participation that the Committee was equal to its responsibilities.

75. In her statement on behalf of the European Union, the representative of Finland had emphasized the macro-issues that must be properly handled in order to ensure a secure future for the United Nations. As she had stressed, responsibility for the effective and transparent management of the Organization lay with the Secretary-General. The United Kingdom would work to ensure that that division of responsibility was respected, including within the Committee, and that the parlous state of the Organization's finances was rectified.

76. **Mr. Aboul Gheit** (Egypt) said that the deteriorating financial situation resulted mainly from non-payment of assessed contributions by some Member States. The United Nations had once again been forced to resort to cross-borrowing from peacekeeping funds in order to ensure financial liquidity, which hindered reimbursement of troop-contributing countries. It was ironic that the developing countries which contributed troops and equipment to peacekeeping operations were forced to finance the Organization due to non-payment by other, more financially capable Member States.

77. The deteriorating financial situation hindered execution of the programmes and activities mandated by legislative bodies of the United Nations, as well as the ambitious reform process aimed at improving the effectiveness of the Organization. The Movement of Non-Aligned Countries, meeting at Durban, South Africa, had recently reaffirmed the importance of payment of assessed contributions to both the regular budget and the peacekeeping budget, in addition to payment of arrears.

78. **Mr. Gatilov** (Russian Federation) said that the financial situation of the United Nations remained extremely serious. Aggregate arrears of Member States to the Organization exceeded $2.5 billion. The cash-flow problem had become acute, forcing the Secretary-General to borrow from peacekeeping funds in order to finance regular budget activities. That situation was particularly alarming at the current time, when United Nations peacekeeping activities were being significantly expanded and new demands were being placed on its resources. While the Secretary-General continued to implement reforms, it was difficult to do so effectively in a climate of permanent financial crisis. As his delegation had repeatedly stated, the crisis was due to the failure of certain Member States to fulfil their financial obligations to the United Nations and the continuing disparity between the scale of assessments and the real ability of Member States to pay.

79. Despite the serious economic problems it faced, the Russian Federation had paid its regular budget assessments in full, and over the past six years it had made contributions in excess of the assessed amount to the peacekeeping budget as it gradually liquidated its arrears in that area. As a result of those payments Russia continued to be in arrears in respect of only one peacekeeping operation.

80. A priority during the current session would be the adoption of the budget for the biennium 2000-2001. Zero nominal growth could realistically be achieved by enhancing the effectiveness of programme activities, introducing additional economy measures and ensuring strict budgetary discipline. The Russian Federation stood ready to continue constructive dialogue with all Member States with a view to achieving a financially stable and efficient United Nations.

81. **Mr. Karuhanga** (Uganda), speaking on behalf of the members of East African Cooperation, Kenya, Tanzania and Uganda, said that, at the United Nations fiftieth anniversary celebrations, heads of State and Government had pledged that they would give to the twenty-first century an Organization equipped, financed and structured to serve effectively the peoples in whose name it had been established. Four years later, however, its grave financial situation continued to be a cause for serious concern. The time had come to confront the financial crisis in order to construct the kind of United Nations which the world of the twenty-first century deserved.

82. The United Nations provided good value in return for the sums assessed, and predictable financing was key to both its short- and long-term success. He concurred with the Group of 77 and China that the financial crisis was being caused by the absence of political will on the part of some major contributors. Only the political commitment of all Member States to comply with legally binding Charter obligations would resolve the cash flow crisis, and as long as that issue remained unresolved, all other efforts to cut back, reform or restructure could not possibly succeed.

83. The developing countries expected the Organization to play a vital role in their socio-economic development, and welcomed the Secretary-General's commitment to strengthen those institutions with a development mandate, but that goal could not be achieved without adequate resources. In that regard, he reiterated the need to strengthen the United Nations Office at Nairobi by placing it at the same level as

the Offices at Geneva and Vienna and by providing it with adequate resources and personnel to carry out its mandate.

84. The onus was on Member States to make the Secretary-General succeed in his efforts to ensure a strong and viable United Nations by fulfilling their Charter obligations. Together, Member States must address the financial emergency and find the means to put the Organization on a stable financial footing. It was in the interest of future generations that those joint efforts should succeed.

85. **Mr. Rodríguez Parilla** (Cuba) said that his delegation fully associated itself with the statement made on behalf of the Group of 77 and China. For over a decade, the United Nations had faced a recurring problem with financing, the reasons for which were well known: the failure of the major contributor, the United States of America, to meet its obligations, and its attempts to impose conditions on the rest of the Member States. Recently, it had attempted to make approval of mandates, including some in the political area, conditional on their financing through voluntary contributions, in direct violation of Article 17 of the Charter. It had demanded inappropriate staff reductions and had attempted to impose a budget ceiling and force the adoption of a zero-growth policy, in clear violation of General Assembly resolution 41/213. In practice it had lowered its assessment, given the amount of its arrears to the regular budget.

86. At the end of 1998, the United States had been responsible for 76 per cent of the regular budget arrears and 63.7 per cent of total arrears. However, United States companies had sold to the United Nations goods and services amounting to 47 per cent of total transactions. On 30 September 1997, the United States had been responsible for 60 per cent of total arrears, yet 61 per cent of goods and services had been procured from that same country. One means to correct the liquidity crisis could be to disqualify countries with a high level of arrears from bidding on procurement contracts.

87. A significant number of Member States tried to meet their financial obligations within their limited means, and recognized that the decisions of their legislatures applied only internally. Cuba, for one, had paid its arrears to the regular budget in full and had lowered the amount it owed to the peacekeeping budget, despite the United States economic blockade.

88. **Mr. Legwaila** (Botswana) said that illegal exemption from contractual obligations was the root cause of the current financial difficulties facing the United Nations. Any continued withholding of payment under any political pretext was in contravention of the provisions of the Charter and must not be tolerated. The politicization of budget matters was a dangerous development which must not be accepted.

89. Cross-borrowing of peacekeeping funds to cover arrears was financially imprudent and unsustainable. Most regrettably, such borrowing took place at the expense of reimbursement to those Members States which had demonstrated their commitment to global peace and security by providing troops and equipment to peacekeeping missions. While the Secretariat was making ongoing efforts to reimburse Member States, unless the process could be expedited States might be discouraged from future participation in peacekeeping initiatives. He acknowledged the recent partial reimbursement his Government had received for its participation in the mission in Mozambique. Botswana would continue to participate in peacekeeping activities wherever and whenever possible, but he urged that every effort should be made to reimburse all Member States concerned, most of which were developing countries.

90. **Mr. Sychov** (Belarus) said that earlier in the year there had been some signs of improvement in the cash flow of the Organization and a slight reduction in the budget deficit, but the current deterioration in the financial situation was alarming, particularly at a time when new peacekeeping operations were being mounted. A definitive solution must be found to allow the Organization to emerge from its perennial financial impasse.

91. The Committee should focus on the related issues of placing the Untied Nations on a stable financial basis, the responsibility of Member States to meet their financial commitments, and finding new ways and means to increase financial efficiency. A stable financial base would be possible only when all contributions were paid in full and without conditions. The number of Member States paying their contributions in full had risen from 75 in 1994 to 117 in 1998, and he hoped for further progress in that direction.

92. With regard to arrears, clear criteria must be developed which took into account the reasons for the arrears. If the problem was beyond the control of Member States, then no automatic sanctions should be applied. The scale of assessments was of direct relevance to the question, and at the current session, the Committee must consider it in detail with a view to adopting a new, universal scale at the Millennium Assembly. That new scale should be based on current levels of development and medium-term development forecasts.

93. In conclusion, his delegation reaffirmed its position that capacity to pay must remain the fundamental criterion for determining rates of assessment.

The meeting rose at 1 p.m.